

Republican Governor Letter

Dear CODEL:

Governors across the nation are growing increasingly concerned about the financial strain rising healthcare costs are putting on state budgets. During the National Governors Association (NGA) meeting in July, governors – both Republicans and Democrats – formalized their opposition to current Congressional reform proposals, by issuing a policy opposing unfunded mandates that shift costs to the states. In Mississippi, the issue of Medicaid expansion hits close to home, since our state's share of the Medicaid program is currently \$707 million, or 12 percent of a \$5.87 billion state supported budget, which includes temporary stimulus funds.

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Nevertheless, the current proposals, both in the House and Senate, will expand the Medicaid program at additional costs paid not by the federal government, but passed down to the states. After a call with the governors representing the NGA Healthcare Task Force with the Senate Finance Committee, Chairman Baucus told the news media it would be impossible for the federal government to pick up all the costs for new Medicaid recipients and states would have to bear some of the costs.

Why? Although CBO appears to estimate that H.R. 3200 will cost more than \$1 trillion over the next ten years, the fine print reveals the true cost would be much higher. By imposing tax increases early in the budget window, before the bulk of the spending occurs, the true cost of the bill is hidden by budget gimmickry. Delaying the implementation of the program until the fourth year also uses budget tricks effectively to hide the immense long-term cost of this proposal. If health care spending continues as CBO projects, the legislation could cause a massive spike in the federal deficit, averaging as high as \$1.6 trillion a year over the next 20 years. The American people need to know the truth about this bill and its true costs.

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According to the National Association of State Budget Officers, Medicaid expenses in 2007 for federal and state government combined were \$336 billion. This number is projected to reach \$523 billion by 2013, a 56 percent increase in just six years. Should the reforms being debated in Congress become law, Mississippi would be saddled with an increase of \$360 million a year on top of the \$707 million it already costs to fund Mississippi's

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annual state share of the Medicaid program. These proposals, which would cover all individuals at 133 percent federal poverty level (FPL), will burden state budgets, forcing states to raise taxes. In Mississippi that would mean increases in our state income or sales tax rates. Mississippi, like so many states, simply can't afford to pick up the tab for another unfunded mandate passed by Congress.

These state tax increases would be on top of the federal tax increases already included in the House and Senate bills, such as huge tax increases on small businesses, whether in the form of an additional 8 percent payroll tax or a 5.4 percent income tax surcharge. During a deep recession, when most people believe job creation and economic growth should be top priorities, huge tax increases will make it more expensive to employ people; therefore, employers will employ fewer people.

I wanted you to warn you of the state tax increases Mississippi will face on top of the federal tax increases in the pending bills. Congress must slow down and work in a bipartisan manner. Everybody agrees that health reform is needed, but it should be done thoughtfully. I hope you'll keep this important information in mind when proposals that shift costs to states are considered.

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